

- (iii) Income-tax is a tax on profits and there is no rationale for exempting profit-making co-operative banks from payment of income-tax.

The amendment to Section 80P is also justified as expert committees have recommended the withdrawal of tax benefits under this Section. Moreover, due to the amendment of section 80P, the standards of accountability and governance in the co-operative banks would improve due to the discipline of producing audited accounts and filing income-tax returns.

Higher duty levied on ship-breaking industry

*399. SHRI JAYANTILAL BAROT:
SHRI SURYAKANT ACHARYA:

Will the Minister of FINANCE be pleased to state:

- (a) whether it is a fact that ship breaking industry is providing employment to a large number of manual workers of Northern States;
- (b) whether the present rate of duty levied on ship-breaking for the scrap metal is higher than the duty levied on the metal scrap in neighbouring countries particularly Bangladesh and China;
- (c) whether Government are aware that due to this higher duty, employment is coming down in the industry in Gujarat, particularly at Alang;
- (d) whether Government will consider the proposal of State Government of Gujarat to reduce the import duty to the level of other competitors; and
- (e) if so, by when the decision with regard to the reduction of import duty will be taken?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) Yes, Sir.

(b) Basic customs duty on ships for breaking is 5%. As per Integrated Database of World Trade Organization (WTO), rate of customs duty on ships for breaking in Bangladesh is 1000 Bangladesh Taka per light displacement tonnage or LDT (about 3.7% on ad valorem terms based on current prices). In Pakistan, the customs duty rate is 5%, while for China, the rate is 3%. Thus, the rate of customs duty in India for import of ships for breaking is not significantly higher than that in the neighbouring countries.

(c) Due to gradual decline in ship breaking activity, the number of workers engaged in this industry has come down in recent years. This, however, cannot be attributed to the duty structure as the customs duty rates on ships for breaking in India and the neighbouring countries like Bangladesh and Pakistan are not significantly different. Employment in ship breaking industry is coming down on account of a number of factors, some of which are listed below:

- (i) Price of old ships for demolition in the world market has gone up substantially during last five years.
- (ii) There is shortage of ships for breaking.
- (iii) Less stringent implementation of international environmental and labour safety regulations relating to ship recycling in Bangladesh has resulted in shifting of tanker breakage business to Bangladesh.

(d) and (e) Government has examined a request from Government of Gujarat seeking reduction in customs duty on ships imported for breaking on the ground that, because of high customs duty prevailing in India, ship recycling industry is facing severe competition from neighbouring countries. At the time of formulation of budget 2006-07, 5% customs duty was imposed on melting scrap, so as to bring it at par with that on ships imported for breaking. Government also exempted 4% additional duty of customs on ships for breaking-up. Comparison with neighbouring countries such as Bangladesh is inappropriate, since Bangladesh does not have an adequate alternate supply of steel and they have to depend on their ship-breaking industry for availability of adequate steel for domestic consumption. In view of this, the request for exempting ships for breaking-from import duty has not been accepted.

Promotion of Indian culture in North Eastern Region

†*400. SHRI DWIJENDRA NATH SHARMAH: Will the Minister of CULTURE be pleased to state:

- (a) whether Government have formulated any effective policy to protect, develop and promote the Indian Culture in North-Eastern States;
- (b) if so, the details thereof;

†Original notice of the question was received in Hindi.